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by CCH Tax Law Editors

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District of Columbia Decouples From Federal Provisions

The District of Columbia has enacted emergency legislation that makes several income tax changes, including:

- decoupling from federal tax provisions;
- revising the standard deduction;
- reviving the child tax credit with cost-of-living adjustments; and
- modifying credits for dependent care and qualified opportunity fund investments.

What provisions of federal law are decoupled from?

Regarding expenses, the District will allow deductions for ordinary and necessary expenses in carrying on any trade or business that are deductible under IRC Sec. 162(a), except:

- for tax years beginning after December 31, 2021, the deduction allowed for domestic research and experimental expenditures under IRC Sec. 174A will be charged to the capital account and allowed as an amortization deduction of the expenditures ratably over the 5-year period beginning with the midpoint of the taxable year in which such expenditures are paid or incurred;
- no taxpayer is allowed the election to amend a tax return pursuant to IRC Sec. 174A(f)(1); and
- no taxpayer is allowed the election under IRC Sec. 174A(f)(2).

The interest deduction is amended to state that all interest paid or accrued on indebtedness under IRC Sec. 163 is deductible, except that:

- when computing the limitation on business interest allowed under IRC Sec. 163, adjusted taxable income means the adjusted taxable income determined under IRC Sec. 163(j)(8)(A), but IRC Sec. 163(j)(8)(A)(v) does not apply;
- "floor plan financing interest," defined under IRC Sec. 163(j)(9), does not apply; and
- the deduction for "losses sustained during the tax years and not compensated for by insurance or otherwise" is now "losses sustained during the taxable year and not compensated for by insurance or otherwise which are deductible under the provisions of IRC Sec. 165.

The depreciation deduction is amended to state that no deduction is allowed for the special depreciation allowance under IRC Sec. 168(n). The District continues to disallow the special depreciation allowance under IRC Sec. 168(k).

The charitable contribution deduction is clarified to state that no charitable contributions may be carried forward.

THIS WEEK'S HIGHLIGHTS

Finally, for amounts invested in a Qualified Opportunity Fund (QOF) after December 31, 2026, the reduction of capital gains tax liability through a 10% step-up basis, if invested for five years under IRC Sec. 1400Z-2(b), is realized only if the taxpayer meets certain criteria. Also, the abatement of capital gains tax on an investment of capital gains held in a QOF for at least 10 years, under IRC Sec. 1400Z-2(c), is realized only if the taxpayer invests in a QOF that meets certain criteria.

How does the standard deduction change?

For tax years beginning after December 31, 2024, the term standard deduction means the sum of:

- the basic standard deduction; and
- the additional standard deduct found in IRC Sec. 63(c)(3).

For tax years ending December 31, 2025, the basic standard deduction is:

- $15,000 for a single individual or married individual filing a separate return;
- $22,500 for a head of household; and
- $30,000 for married individuals filing a joint return, separate on a combined return, or a surviving spouse.

For tax years ending after December 31, 2025, the amounts of the basic standard deduction are increased annually pursuant to the cost-of-living adjustment.

How are deductions changed?

For individuals, estates and trust deductions, a law section is added to clarify the deductions that are allowed. Among the changes, taxpayers are allowed any deduction allowed under the Internal Revenue Code of 1986, except that a deduction for state or local taxes under IRC Sec. 164 is allowed without regard to the limitation found in IRC Sec. 164(b)(6). The is still no deduction for income taxes or franchise taxes.

The new law section also states there is no deduction for:

- S corporation income;
- Qualified business income, allowed under IRC Sec. 63(b)(3) or IRC Sec. 199A;
- Qualified tips, allowed under IRC Sec. 224;
- Qualified overtime compensation, allowed under IRC Sec. 225;
- Personal car loan interest, allowed under IRC Sec. 163(h)(4); and
- Senior deduction, allowed under IRC Sec. 151(d)(5)(C).

Finally, the law:

- amends nonresident filing provisions; and
- makes amendments to withholding provisions.

The act generally applies as of January 1, 2025. Act 26-0214 (D.C.B. 457), Laws 2025, effective December 3, 2025, for a 90-day period that expires March 3, 2026

Florida Adoption of 2025 Internal Revenue Code Discussed

The Florida corporate income tax “piggybacks” federal income tax determinations and uses adjusted federal income as the starting point for computing Florida net income. Pursuant to legislation enacted this year, the Florida Income Tax Code adopts the Internal Revenue Code (IRC) retroactively to January 1, 2025, meaning Florida follows the computation of federal taxable income. Florida law requires several modifications to federal taxable income, including bonus depreciation, qualified improvement property placed in service on or after January 1, 2018, business meal expenses, and film, television, and live theatrical production expenses.

The legislation that provided for the adoption of the IRC retroactively to January 1, 2025, however, does not address the One Big Beautiful Bill (OBBB) Act (Public Law 119-21), which was enacted after the 2025 Florida legislative session ended. The Florida Legislature will have the opportunity to consider OBBB Act amendments to the Internal Revenue Code, including the federal treatment of bonus depreciation, during its next regular legislative session, which is scheduled to begin in January 2026. *Tax Information Publication, No. 25C01-01*, Florida Department of Revenue, December 2025

Income from Computer Software Sales Properly Sourced to Wisconsin

Taxpayer, a software developer based outside of Wisconsin, contested the sourcing of certain income as calculated by the Department in assessing Wisconsin state tax on income derived from the sale of software by a Wisconsin based

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company whose software sales to end-users included a sublicense for use of the software developed by the out-of-state company. Following the 2019 Court of Appeals decision in *Wisconsin Dep't of Revenue v. Microsoft Corp.*, the Commission held that the taxpayer had no contract with the end-user of computer software, and so the state statute was not applicable to the transactions at issue.

The Commission further held that the income from the disputed sales was properly sourced to Wisconsin, and that application of state law to assess income tax due from taxpayer in this matter did not violate the Commerce Clause of the U.S. Constitution. *Intersystems Corp. v. Wisconsin Department of Revenue*, Wisconsin Tax Appeals Commission, No. 20-W174, November 20, 2025

ARIZONA

S&U Tax: Updated Combined Tax Rate Chart Released for Phoenix

Arizona's Department of Revenue released the combined transaction privilege tax (TPT) rate chart for Phoenix that is effective January 1, 2026. *Phoenix - Combined Transaction Privilege Tax Rate Table*, Arizona Department of Revenue, December 2025

Multiple Taxes: Interest Rates Remain Unchanged to Start 2026

The interest rate on the underpayment and overpayment of Arizona taxes is unchanged at 7% for the first quarter of 2026. The rate has been set at 7% since January 1, 2025. *Interest Rates*, Arizona Department of Revenue, December 9, 2025

CALIFORNIA

Motor Fuel Tax: Counties May Qualify as an Exempt Bus Operator

Beginning January 1, 2026, counties that own and operate a local transit system may register with the California Department of Tax and Fee Administration (CDTFA) as an exempt bus operator and pay a specified rate for each gallon or unit of fuel used in an exempt bus operation. An "exempt bus operator" includes any person who owns, operates, or controls an exempt bus operation, like a local transit district system. A qualified bus operation is exempt from paying the diesel and use fuel taxes and is instead required to pay $0.01 for each gallon of fuel used in an exempt bus operation. *Special Notice L-1008*, California Department of Tax and Fee Administration, November 2025

FLORIDA

Income Tax: Information Provided on Home Away From Home Tax Credit

Information is provided on the home away from home tax credit, which was enacted in 2025. Taxpayers may make private monetary contributions to the eligible charitable organization(s) of the Home Away From Home Tax Credit and receive a dollar-for-dollar credit against the Florida corporate income tax, insurance premium tax, or alcoholic beverage taxes. Beginning January 2, 2026, taxpayers who wish to participate in this program must apply to the Florida Department of Revenue (Department) to receive a tax credit allocation. Taxpayers required to file and pay electronically must apply online. Taxpayers not obligated to file and pay electronically may apply by submitting the paper Home Away From Home Tax Credit – Application for Tax Credit Allocation for Contributions to Eligible Charitable Organizations (Form DR-665000). *Tax Information Publication, No. 25ADM-02*, Florida Department of Revenue, December 2025

S&U Tax: Expiration Date of Hillsborough County Local Government Infrastructure Surtax Extended

The expiration date of the Hillsborough County 0.5% local government infrastructure surtax is extended from November 30, 2026, to December 31, 2041. The total state and local sales and use tax rate for Hillsborough County is 7.5%. The Hillsborough County total rate is composed of Florida's 6% state sales and use tax, the 0.5% school capital outlay surtax, the 0.5% indigent care surtax, and the 0.5% local government infrastructure surtax. *Tax Information Publication, No. 25A01-12*, Florida Department of Revenue, December 2025

S&U Tax: Jackson County Small County Surtax Extended

The expiration date of the Jackson County 1% small county surtax, originally set to expire on December 31, 2025, is extended. The total state and local sales and use tax rate for Jackson County remains at 7.5%. The total rate for Jackson County is composed of Florida's 6% state sales and use tax, the 0.5% school capital outlay surtax, and the 1% small county surtax. *Tax Information Publication, No. 25A01-13*, Florida Department of Revenue, December 2025

S&U Tax: Martin County School Capital Outlay Surtax Expires

The Martin County 0.5% school capital outlay surtax expires December 31, 2025. Beginning January 1, 2026, the total state and local sales and use tax rate in Martin County is decreased from 7% to 6.5%. That total rate is composed of the 6% state sales and use tax rate and the 0.5% local government infrastructure surtax. *Tax Information Publication, No. 25A01-14*, Florida Department of Revenue, December 2025

S&U Tax: Palm Beach County Surtax Rate Update Issued

Voters in Palm Beach County approved a ballot referendum in November 2024, that imposes a 0.5% school capital outlay surtax effective January 1, 2026. In addition, the county's 1% infrastructure surtax is repealed effective December 31, 2025. As a result, beginning January 1, 2026, the total state and local sales and use tax rate for Palm Beach County is decreased from 7% to 6.5%. That total rate is composed of the 6% state sales and use tax and the 0.5% school capital outlay surtax. *Tax Information Publication, No. 25A01-15*, Florida Department of Revenue, December 2025

Utilities Tax: Changes in Local Communications Services Tax Rates Announced

Effective January 1, 2026, some local communications services tax (CST) rates in Florida are changed. Total local CST rates include the local rate imposed under the CST law and any discretionary sales surtax that may be imposed under the sales and use tax law. The new rates listed are effective for all bills issued on or after January 1, 2026, regardless of the date the service is rendered or the transaction occurs. *Tax Information Publication, No. 25A19-02*, Florida Department of Revenue, November 25, 2025

GEORGIA

S&U Tax: Guidance Issued on Rounding Cash Transactions Due to Penny Shortage

Georgia issued guidance on sales and use tax related to cash transactions due to the federal government ending penny production. Dealers may round the total amount due to the next lowest, highest, or nearest nickel when exact change requires pennies but must collect and remit sales tax based on the original sales price. Rounding adjustments cannot exceed four pennies and do not affect calculated sales tax obligations. *Policy Bulletin SUT 2025-02*, Georgia Department of Revenue, December 5, 2025

GEORGIA

Motor Fuel Tax: Average Retail Sales Prices for Prepaid Local Tax on Motor Fuel Sales Released

Georgia has announced the average retail prices for prepaid local tax on motor fuel sales. The rates will be in effect from January 1, 2026, through June 30, 2026. The taxes must be remitted by a licensed distributor on all sales of motor fuel to any purchaser not properly licensed as a Georgia distributor of that fuel type. The per gallon rates are:

- Gasoline: $2.499;
- Diesel: $3.000;
- Aviation Gasoline: $3.000;
- Liquefied Petroleum Gas: $2.727; and
- Special Fuel (including CNG): $2.384.

Prepaid Local Tax on Motor Fuel Sales, Georgia Department of Revenue, December 5, 2025

HAWAII

Income Tax: Amended Rule Incorporates Withholding Tables for Tax Years Beginning After 2025

The Hawaii Department of Taxation announced the adoption of an amended rule incorporating updated income tax formulas and withholding tables for taxable years beginning after December 31, 2025. The amendments reflect legislative changes made by Act 46, Laws 2024. Booklet A, Employer's Tax Guide, which includes the withholding tables, is available on the department's website. *Announcement No. 2025-07*, Hawaii Department of Taxation, December 1, 2025

ILLINOIS

S&U Tax: Local Tax Rate Changes for January 2026 Updated

Illinois updated guidance showing municipal, county, and business district sales tax rate changes that are effective beginning January 1, 2026. The local rates apply to general merchandise sales reported on Forms ST-1 and ST-2, excluding sales of drugs, medical appliances, and items subject to state title and registration requirements. Retailers and service providers can check combined state and local tax rates using the rate finder at mytax.illinois.gov. *Bulletin FY 2026-10-A*, Illinois Department of Revenue, November 2025

S&U Tax: Prepaid Motor Fuel Sales Tax Rates Beginning January 1

The Illinois prepaid sales tax rates for motor fuel during the period of January 1 through June 30, 2026 remain at:

- 13¢ per gallon for mid-range ethanol blends;
- 15¢ per gallon for gasohol (E15 only); and
- 17¢ per gallon for all other motor fuels, including diesel fuel containing less than 10% biodiesel or renewable diesel and gasoline containing less than 15% denatured ethanol.

Prepaid Sales Tax Motor Fuel Rates, Illinois Department of Revenue, December 2025

MICHIGAN

S&U Tax: Department Provides Guidance on Penny Phase Out

In regards to the U.S. Treasury phase out of the penny, the Michigan Department of Treasury advises sellers that they may round the total amount due from customers up or down to the nearest $0.05. However, as sellers engage in rounding to the nearest $0.05 for their cash transactions, this will not impact the calculation of the sales or use tax due. Sellers should calculate the tax based on the listed sales price before rounding up or down to address a lack of pennies. The Department further recommends separately itemizing on the receipt or invoice any additional amounts collected from the customer due to rounding up. *Notice*, Michigan Department of Treasury, December 8, 2025

INDIANA

Income Tax: Information Provided on Railroad Tax Credit for Qualified Infrastructure Investment

Legislation enacted in 2025 created a new railroad tax credit for qualified infrastructure investment. "Qualified new rail infrastructure expenditures" are defined as gross expenditures for new rail infrastructure, while "qualified rail expenditures" are gross expenditures for maintenance, reconstruction, or replacement of railroad infrastructure.

New Rail Credit

A qualified applicant for the new rail credit is eligible for a credit based on the applicant's qualified new rail expenditures for each new rail served customer project completed by the taxpayer in a taxable year. The credit per project is equal to 50% of the qualified new rail expenditures or $500,000, whichever is less. If the expenditures occur in multiple years, the expenditures are counted as occurring in the year of project completion. This credit is allowable only against the state adjusted gross income tax liability of a taxpayer.

Rail Expenditure Credit

A qualified applicant for the rail expenditure credit is eligible for a credit based on the applicant's qualified rail expenditures. The credit per project is equal to $3,500 times the number of Class 2 or Class 3 miles in Indiana owned or leased by the taxpayer at the end of the taxable year or 50% of the qualified rail expenditures, whichever is less. If the expenditures occur in multiple years, the expenditures are counted as occurring in the year of project completion. This credit is allowable only against the state adjusted gross income tax liability of a taxpayer. *Information Bulletin #125*, Indiana Department of Revenue, December 2025

S&U Tax: Revised Guidance Issued Regarding County Innkeepers' Taxes

Indiana has issued revised guidance regarding county innkeepers' taxes. Such a tax is generally intended to be imposed on the rental of transient rooms or spaces for periods of less than 30 days in a specified establishment in the county. *Information Bulletin #204*, Indiana Department of Revenue, November 2025

Tobacco Tax: Revised Guidance Issued on Cigarette Tax

Revised guidance is issued regarding the Indiana cigarette tax. Included in the guidance the the name of the current cigarette tax returns. All resident distributors are required to monthly file Form CIG-RM (Cigarette Distributor's Resident Monthly Return) and all nonresident distributors are required to file Form CIG-NRM (Cigarette Distributor's Non-Resident Monthly Return). The cigarette tax returns, which are due by the 15th day of each month, must be filed electronically. Electronic payments are made through an ACH Credit transaction. Every distributor engaged in interstate business is required to file a report of all shipments or deliveries that were made out of state during the preceding month with the department, which will be included as separate schedules to the CIG-RM and CIG-NRM. *Information Bulletin #205*, Indiana Department of Revenue, November 2025

NEW JERSEY

Income Tax: Federal Terminology Changes Discussed

New Jersey issued guidance on the "One Big Beautiful Bill Act" affecting corporation business tax terminology. For tax years beginning after December 31, 2025, the federal terms global intangible low-tax income (GILTI) and foreign derived intangible income (FDII) will be renamed net controlled foreign corporation tested income (NCTI) and foreign derived deduction eligible income (FDDEI), respectively. These terminology changes do not alter their treatment under New Jersey corporate business tax, which remains consistent with established guidance and regulations. *Federal Renaming for GILTI and FDII Under the One Big Beautiful Bill Act for Corporation Business Tax*, New Jersey Division of Taxation, December 4, 2025

IOWA

S&U Tax: Local Option Sales Tax Jurisdiction Changes Announced

Effective January 1, 2026, the Iowa local option sales tax (LOST) has sunset date and hotel and motel tax changes. Specifically, the sunset date changes are as follows:

- In Black Hawk County, the cities of Cedar Falls, Dunkerton, Elk Run Heights, Evansdale, Gilbertville, Hudson, La Port City, Raymond and Unincorporated have removed the sunset date and the LOST is effective in perpetuity;
- In Jasper County, the city of Monroe has extended the sunset date 10 years to 6/30/2036; and
- In Wappello County, the cities of Agency and Kirkville have removed the sunset date and the LOST is effective in perpetuity.

For hotel and motel tax:

- In Chickasaw County, the city of Nashua now has a hotel and motel tax of 7%;

- In Dallas County, the city of Van Meter now has a hotel and motel tax of 7%;
- In Decatur County, the city of Decatur now has a hotel and motel tax of 7%; and
- In Plymouth County, the city of Le Mars has increased the hotel and motel tax from 5% to 7%.

New Iowa Local Option (LOST) Tax Jurisdictions, Iowa Department of Revenue, December 2025

MINNESOTA

S&U Tax: Guidance On Coupons And Discounts Updated

Minnesota updated its guidance on sales and use taxes related to coupons, discounts, rewards, rebates, and other forms of payment. The guidance explains how these forms of payment impact tax calculations. *Coupons and Other Forms of Payment*, Minnesota Department of Revenue, December 2025

MISSOURI

S&U Tax: Local Tax Rate Changes Announced

The following local Missouri sales and use tax rate changes take effect January 1, 2026. Also, new rates are listed for each county, city, and special district affected by the rate changes.

County Changes

Caldwell County extends its existing 0.5% county capital improvements sales tax. This tax also applies to use tax.

Clark County imposes a 0.5% county-wide general sales tax. This tax also applies to the county's local use tax.

Holt County extends its existing 0.5% additional county general sales tax. This tax also applies to the county's local use tax.

Johnson County reduces its existing county general sales tax from 0.25% to 0.125%. This tax applies to the sales of domestic utilities and impacts the county's local use tax.

Livingston County imposes a 0.375% county emergency services sales tax. This tax also applies to the county's local use tax, but does not apply to the sale of domestic utilities.

Montgomery County extends its existing 0.5% additional county general sales tax. This tax also applies to the county's local use tax and the sale of domestic utilities.

Perry County extends its existing 0.375% additional county capital improvement sales tax. This tax also applies to the county's local use tax and the sale of domestic utilities.

Scotland County extends its existing 0.5% additional county capital improvement tax. This tax also applies to the county's local use tax, but does not apply to the sale of domestic utilities.

Stoddard County extends its existing 0.5% additional county capital improvement sales tax. This tax also applies to the county's local use tax.

City Changes

Altamont imposes a 1% city general sales tax. This tax also apples to the sale of domestic utilities, but does not apply to the county use tax.

Cabool extends an existing 0.50% city capital improvements sales tax. This tax also applies to the local use tax and the sale of domestic utilities.

Cape Girardeau extends an existing 0.5% city mass transportation sales tax. This tax also applies to the local use tax, but does not apply to the sale of domestic utilities.

NEW JERSEY

Income Tax: Charitable Contribution Deduction Guidance Issued

New Jersey issued guidance for corporation business taxpayers regarding changes to the charitable contribution deductions under the One Big Beautiful Bill Act (OBBBA). New Jersey conforms to federal changes in charitable contribution deductions to the extent they align with the New Jersey Corporation Business Tax Act. There are no changes for gross income tax purposes, as the New Jersey Gross Income Tax Act does not allow charitable deductions. *One Big Beautiful Bill Act (OBBBA) - Changes to Charitable Contribution Deductions*, New Jersey Division of Taxation, December 2025

Chillicothe extends its existing 0.5% city capital improvements sales tax. This tax also applies to the city's local use tax

Columbia extends its existing 0.25% city capital improvements sales tax. This tax also applies to the city's local use tax, but does not apply to the sale of domestic utilities.

Gerald imposes a 1% additional city general sales tax. This tax does not apply to the sale of domestic utilities or the city's local use tax. Also, Gerald expires an existing 1% additional city general sales tax. This tax does not apply to the sale of domestic utilities or the city's local use tax.

Hallsville imposes a 2.625% local use tax, which follows the total city sales tax rate.

Irondale imposes a 0.5% city capital improvement sales tax. This tax does not apply to the sale of domestic utilities or the local use tax.

Maryland Heights imposes a 0.5% local use tax, which is the same rate as the city's sales tax.

Moberly extends its existing 0.5% city capital improvements sales tax. This tax also applies to the city's local use tax, but does not apply to sale of domestic utilities.

Morrisville imposes a 0.5% city public mass transportation tax. This tax applies to the city's use tax, but does not apply to the sale of domestic utilities. Also, Morrisville repeals its existing 1% general sales tax on the sale of domestic utilities.

Warrensburg extends its existing 0.5% city capital improvements sales tax. This tax also applies to the sale of domestic utilities and the city's local use tax.

Warrenton expires an existing 0.5% city capital improvements sales tax. This tax does not apply to the local use tax and the sale of domestic utilities.

Special District Changes

The total sales and use tax rates in various community improvement districts, port improvement districts, and transportation development districts also change effective January 1, 2026. *Release*, Missouri Department of Revenue, November 17, 2025

NEBRASKA

Income Tax: Guidance Updated on Computer Reporting Procedures For Form 1099

For corporate and personal income tax purposes, the Nebraska Department of Revenue has updated its informational guide on computer reporting procedures for 1099's, 21 CM. The guide provides information for reporting non-employee compensation statement for recipients of miscellaneous income, Forms 1099-MISC; statements for recipients of annuities, pensions, retired pay, or IRA payments, Forms 1099-R; and statements for recipients of certain gambling winnings, Forms W-2G, to the department. E-filing is mandatory for those employers/payors with more than 50 forms. *Information Guide 8-482-1990, Nebraska Computer Reporting Procedure for Forms 1099, 21CM*, Nebraska Department of Revenue, November 28, 2025

Income Tax: Guidance on Computer Reporting Procedure For Forms W-2

The Nebraska Department of Revenue (department) issued a revised information guide on computer reporting procedure for corporate and personal income tax withholding forms. Employers and payors licensed for Nebraska income tax withholding are required to report nonemployee compensation, other payments and withholding to the department. Any company reporting more than 50 Forms W-2, 1099-MISC, 1099-NEC, 1099-R, and W-2G must e-file them, using the NebFile for business program on the department's website. Payroll companies and other third parties filing Forms W-2 and 1099 for multiple taxpayers will need to contact the department to access the online filing program. The guidance discusses

NEW JERSEY

Income Tax: OBBBA Gross Income Tax Guidance Issued

Under the One Big Beautiful Bill Act (OBBBA) there are new federal income tax deductions for senior citizens, overtime, and tips. However, federal deductions under OBBBA regarding overtime, tips, and senior citizens do not affect a taxpayer's New Jersey individual income tax return. The New Jersey gross income tax has defined categories of income and deductions and is not computed based on federal adjusted gross income. *One Big Beautiful Bill Act (OBBBA) and the New Jersey Gross Income Tax*, New Jersey Division of Taxation, December 2025 certain significant terms, filing requirements, reporting procedure, electronic file format, corrected returns and the W-2 file creator spreadsheets. *Information Guide 8-633-2008, Nebraska Computer Reporting Procedure, 21EFW2*, Nebraska Department of Revenue, November 28, 2025

S&U Tax: Local Rate Change Announced

The Nebraska Department of Revenue has announced that the village of Elm Creek will increase its local sales and use tax rate to 1.5% effective April 1, 2026. *Nebraska Sales and Use Tax*, Nebraska Department of Revenue, December 5, 2025

NEW JERSEY

Motor Fuel Tax: Gas Tax Rate Increase Announced

The New Jersey Department of the Treasury announced today that New Jersey's gas tax rate will increase by 4.2 cents per gallon beginning on January 1, 2026. The increase is to support the State's Transportation Trust Fund (TTF) program.

Specifically, the Petroleum Products Gross Receipt Tax (PPGRT) rate will increase on January 1, 2026 from 34.4 cents to 38.6 cents for gasoline and from 38.4 cents to 42.6 cents for diesel fuel. When combined with the Motor Fuels Tax, which is fixed at 10.5 cents for gasoline and 13.5 cents for diesel fuel, the total tax rates that motorists will pay for gasoline and diesel fuel will be 49.1 cents and 56.1 cents, respectively. *Treasury Announces Gas Tax Rate Will Increase by 4.2 Cents Effective January 1, 2026*, New Jersey Department of Treasury, December 2025

NEW YORK

S&U Tax: Publication Revised to Reflect Extended Expiration Dates of Additional Taxes in Various Localities

New York has revised a publication setting out the enactment and effective dates of local New York sales and use tax rates to reflect changes in the expiration dates for additional taxes imposed in various localities. The expiration dates were extended in previously enacted legislation. *Publication 718-A*, New York Department of Taxation and Finance, December 2025

TEXAS

S&U Tax, Practice and Procedure: Guidance Issued On Handling Cash Payments And Rounding Practices

Texas issued guidance on sales and use tax following the federal government's decision to end penny production. The Texas Comptroller of Public Accounts outlined procedures for handling cash transactions. Tax offices round cash payments down to the nearest nickel when sufficient pennies are unavailable. Retailers may round sales price totals to the nearest nickel and must maintain records for audit purposes. Tax amounts and procedures for electronic and check payments remain unchanged. *Memorandum 202512001M*, Texas Comptroller of Public Accounts, December 2025

Property Tax: Enacted Legislation Provides Additional Considerations Regarding the Assessment of Solar or Wind Energy Systems

Enacted legislation amends the New York real property tax law in relation to additional considerations regarding the assessment of solar or wind energy systems. The legislation clarifies issued raised by the Albany County Supreme Court's recent decision, in *Airey v. State of New York*, 2025 NY Slip Op 25054, Index No. 903991-24, March 3, 2025. That case ruled that the Department of Taxation and Finance exceeded the powers granted by the Legislature and ruled Sec. 575-b of the Real Property Tax Law unconstitutional.

Specifically, the legislation adds new provisions that describe that expenses associated with certain host community benefits, the decommissioning of solar and wind energy systems and community solar subscriber management costs associated with solar energy systems must be included as expenses. In addition, federal investment and production tax credits granted by the Internal Revenue Code and environmental values, including but not limited to renewable energy credits, must be deemed intangible assets and not included as revenue streams.

Finally, the legislation states that any assessing unit establishing valuations on the basis of the model published by the Department of Tax and Finance in 2025, including an assessing unit that has stipulated to rely on such model to settle a proceeding to review an assessment of real property, must not be subject to imposition of costs. Ch. 575 (S.B. 8012), Laws 2025, effective December 3, 2025; Introdcuer's Memorandum in Support, New York Senate

Property Tax: Space Force Members Included as Members of the Armed Forces or Veterans Eligible for Certain Credits and Benefits

The New York property tax law is amended to include members of the space force as being members of the armed forces or veterans eligible for certain credits and benefits that are available to other active and veteran members of the armed forces. Ch. 611 (A.B. 291), Laws 2025, effective December 5, 2025

Property Tax: Localities Authorized to Provide Additional Exemption for Low-Income Certain Senior Citizens

Enacted New York legislation authorizes localities the option to offer an additional real property tax exemption of up to 65% to senior citizens with incomes below the "maximum income eligibility level" set by such locality. Previously, the maximum percentage of exemption local governments were authorized to offer senior citizens was set at 50%. Ch. 581 (A.B. 3698), Laws 2025, effective December 5, 2025, applicable to taxable years beginning on and after January 1, 2026

Property Tax: Exemption for Surviving Spouses of Volunteer Firefighters or Ambulance Workers Killed in the Line of Duty Amended

Enacted New York legislation amends the real property tax exemption for surviving spouses of volunteer firefighters or volunteer ambulance workers killed in the line of duty. Specifically, the legislation allows municipalities to adopt a local law or ordinance to allow surviving spouses of volunteer firefighters or volunteer ambulance workers with between two and five years of service, who are killed in the line of duty, to continue receiving pre-existing property tax exemptions. The legislation also allows municipalities to adopt a local law or ordinance to increase the exemption for surviving spouses of volunteer firefighters and volunteer ambulance workers killed in the line of duty up to 50% of the assessed value of such property. Ch. 592 (S.B. 688), Laws 2025, effective December 5, 2025

Property Tax: Exemption Authorized for Active Auxiliary Police Officers in Local Law Enforcement Agencies in Certain Counties

Enacted New York legislation authorizes a property tax exemption on real property owned by active auxiliary police officers in local law enforcement agencies in counties having a population of more than 338,000 and less than 340,000 (Rockland County), determined in accordance with the latest federal decennial census. The exemption amount is 10% of the assessed value of such property for city, village, town, part town, special district, school district, fire district or county purposes, exclusive of special assessments, provided that the governing body, after a public hearing, adopts a local law, ordinance or resolution providing such exemption. However, in no event can such exemption exceed $3,000 multiplied by the latest state equalization rate for the assessing unit in which real property is located.

Qualifications

An exemption cannot be granted to an active auxiliary police officer in a local law enforcement agency residing in such county unless

VERMONT

Property Tax: Projected Increase in Tax Bills Announced

Vermont announced the release of the education tax rate letter, which forecasts the education tax yields for resident homeowners and the non-homestead tax rate for upcoming fiscal year 2027. The letter projects education property tax bills to increase by a statewide average of 11.9% next fiscal year. *Press Release*, Vermont Department of Taxes, December 1, 2025

- the applicant resides in the city, town or village which is served by such auxiliary police department;
- the property is the primary residence of the applicant;
- the property is used exclusively for residential purposes. However, in the the event any portion of such property is not used exclusively for the applicant's residence but is used for other purposes, such portion is subject to tax and the remaining portion only is entitled to the exemption; and
- the applicant has been certified by the law enforcement agency in which such volunteer auxiliary police officer serves as being an active member as determined by the local enforcement agency's standards for at least five years.

Also, an active auxiliary police officer is not eligible to receive a tax exemption if the applicant also receives a real property tax exemption or an income tax credit related to their services as a volunteer firefighter or volunteer ambulance worker. Ch. 607 (S.B. 6977), Laws 2025, effective January 1, 2026; *Introducer's Memorandum in Support,* New York Senate

Misc. Tax: Mount Vernon Authorized to Increase Tax on Deeds

Enacted New York legislation authorizes the city of Mount Vernon to increase the tax on deeds by which any real property is conveyed from 1% to 1.5%. Ch. 586 (A.B. 7348), Laws 2025, effective December 5, 2025

Multiple Taxes: Interest Rates for First Quarter of 2026 Announced

The interest rates on overpayments and underpayments of New York taxes for the period January 1 through March 31, 2026, have been announced. *Interest Rates,* New York Department of Taxation and Finance, December 2, 2025

NEW YORK CITY

Property Tax: Amount of Childcare Center Tax Abatement Increased

Enacted New York property tax legislation increases the amount of the childcare center tax abatement for certain properties in New York City for abatements taken in a year commencing on or after July 1, 2025. Specifically, the legislation increases the maximum amount of the abatement authorized to an eligible building in which a childcare center has been created or has been improved so as to accommodate additional children. The amount of such abatement increases from $100,000 to $350,000 for a tax abatement that is sought in a tax year commencing on or after July 1, 2025. For childcare centers opening in eligible buildings located within a childcare desert, the amount of such abatement increases from $225,000 to $750,000

In addition, the deadline for applications for the abatement is extended from March 15, 2025 to March 15, 2027. Further, the legislation provides that no such childcare center tax abatement may be authorized for any tax year commencing on or after July 1, 2032 (previously, July 1, 2030). Ch. 609 (S.B. 7685), Laws 2025, effective December 5, 2025, and applicable retroactive to March 15, 2025

Multiple Taxes: Interest Rates Unchanged for First Quarter of 2026

Interest rates on underpayments and overpayments of New York City income and excise taxes for the period January 1, 2026, through March 31, 2026, are unchanged from the previous quarter.

Interest On Overpayments

Interest on overpayments of the following taxes remains at 6%:

WASHINGTON

S&U Tax: Annual Capital Gains Tax Deduction Limits Announced

The standard deduction, for purposes of Washington's capital gains excise tax, is $278,000 for 2025. The charitable donation deduction threshold is $278,000, and the cap on the deduction is $111,000. The worldwide gross revenue limit for the qualified family-owned small business deduction is $11,095,000. *Capital Gains Tax*, Washington Department of Revenue, December 4, 2025

- business taxes (general corporation tax, banking corporation tax, and business corporation tax);
- unincorporated business income tax; and
- tax on foreign and alien insurers.

Interest On Underpayments

Interest on underpayments of the following taxes remains at 11%:

- unincorporated business income tax;
- business taxes (general corporation tax, banking corporation tax, and business corporation tax);
- commercial rent or occupancy tax;
- tax on commercial motor vehicles and motor vehicles for transportation of passengers;
- tax on foreign and alien insurers;
- utility tax;
- horse race admissions tax;
- cigarette tax;
- tax on transfer of taxicab licenses;
- real property transfer tax;
- tax on retail licensees of the State Liquor Authority; and
- tax on hotel room occupancies.

Notice of Interest Rates for First Quarter of 2026, New York City Department of Finance, December 2025

OHIO

Income, Misc. Taxes: 2026 First Quarter PAT Average Wholesale Prices Released

Ohio has released the petroleum activity tax (PAT) statewide average wholesale prices for the first quarter of 2026.

The average prices per gallon for the first quarter are:

- $2.021 for unleaded gasoline;
- $2.232 for diesel fuel; and
- $0.706 for propane.

Suppliers should use the averages to determine their PAT for the period January 1, 2026 through March 31, 2026. *Release*, Ohio Department of Taxation, December 8, 2025

SOUTH CAROLINA

S&U Tax: Revised Guidance Issued on Exemptions for Farmers

South Carolina revised a recent revenue ruling concerning farmers in order to clarify what evidence retailers must maintain for exempt sales of agricultural items. The revised revenue ruling addresses common sales tax exemptions available to farmers and updates previous guidance on the use of South Carolina Agriculture Tax Exemption (SCATE) cards. The ruling includes frequently asked questions and also charts that provide a summary of each exemption, as well as a non-exhaustive list of common exempt and non-exempt items. *Revenue Ruling 25-6 (Revised)*, South Carolina Department of Revenue, November 20, 2025

S&U Tax: Treatment of Dinner Attraction Shows Discussed

South Carolina issued a ruling to explain how sales tax and admissions tax apply to dinner attraction shows, where customers pay one ticket price and then receive admittance into a dinner theater to watch a show while also receiving a meal. Although the ticket charge is subject to both sales tax and admissions tax, dinner attraction shows are only required to remit the sales tax on that portion of the charge representing the price of the meal and the admissions tax on that portion representing the price of admissions, provided that the price breakdown is reasonable and supported by the taxpayer's records. If the records do not support the amount reported and remitted for sales tax or admissions tax, the Department of Revenue may employ any proper and reasonable audit methods in order to determine tax liability. *Revenue Ruling No. 25-8*, South Carolina Department of Revenue, November 25, 2025

Multiple Taxes: Release of County Per Capita Income Figures Delayed

South Carolina has announced a delay in the release of county per capita income figures. Several income, sales and use, and property tax incentives require associated jobs to meet certain state or county per capita personal income requirements, and the county figures are generally published in November. However, due to the federal government shutdown, the updated figures will be provided after February 5, 2026. Until the new figures are published, taxpayers should use the county figures published by the Department of Revenue in SC Information Letter #24-20. *Information Letter No. 25-23*, South Carolina Department of Revenue, December 4, 2025

TENNESSEE

Income Tax: Treatment of Federal Employee Retention Credit Explained

Tennessee issued guidance on the excise tax treatment of the federal employee retention credit (ERC). The ERC is included in the excise tax base because it reduces the federal income tax deduction for wages and related expenses. The Tennessee excise tax starting point takes into account this reduced federal deduction. Federally-disallowed expenses associated with the ERC cannot be deducted for Tennessee excise tax purposes, as the credit applies to federal payroll taxes rather than federal income taxes. Taxpayers must ensure their excise tax returns correspond with federal income tax filings when receiving or being denied the ERC. *Notice 25-37*, Tennessee Department of Revenue, December 2025

Severance Tax: Humphreys County Rate Increased

Effective February 1, 2026, the Humphreys County, Tennessee, mineral severance tax rate will increase to 20 cents per ton. This rate will apply to all sand, chert, sandstone, limestone, and gravel severed from the ground by persons located in Humphreys County. *Notice 25-34*, Tennessee Department of Revenue, December 2025

Severance Tax: Rate Increase Announced for Wilson County

Tennessee announced an increase to the mineral severance tax rate for Wilson County. Effective February 1, 2026, the rate will be 20 cents per ton and apply to sand, chert, sandstone, limestone, and gravel severed from the ground within Wilson County. *Notice 25-35*, Tennessee Department of Revenue, December 2025

UTAH

Income, Property Taxes: Governors Budget Proposal Includes Expanding the Child Tax Credit

Utah Gov. Spencer J. Cox released his Fiscal Year 2027 budget proposal that includes:

- expanding the state child tax credit to provide an additional average benefit of $200 to families with children ages 0-3.
- right-size the property tax burden distribution between residential and commercial properties.

Press Release, Utah Governor’s Office, December 3, 2025; *Governor’s FY27 Budget Recommendations Book,* Utah Governor’s Office, December 2025

S&U Tax: General Information Publication Revised

The Utah State Tax Commission has revised a publication providing basic sales and use tax information. The publication includes Utah tax law and Tax Commission rules, but it is not all inclusive. Further, the publication discusses, among other topics, sales-based tax rates and types; sales and use tax exemptions; calculating sales tax; payments by gold or silver coin; filing and reporting requirements; and additional information related to various types of transactions. *Publication 25*, Utah State Tax Commission, October 2025

Property Tax: Recommended Personal Property Valuation Schedules and Registered Vehicle Uniform Fees Updated for 2026

Utah has updated its recommended personal property valuation schedules and registered vehicle uniform fees to establish the taxable value for personal property in the 2026 assessment year. These valuation schedules and guides are reviewed and updated annually by the Property Tax Division. Analysis of new market data forms the basis for revision or updating the schedules. *2026 Recommended Personal Property Valuation Schedules And Registered Vehicle Uniform Fees*, Utah State Tax Commission, November 1, 2025

Multiple Taxes: Publication on Interest and Penalties Revised

The Utah StateTax Commission has revised a publication discussion interest and penalties. The revised publication includes the interest rate for 2026 of 6%. *Publication 58*, Utah State Tax Commission, December 1, 2025

WASHINGTON

S&U Tax: Guidance Provided on Workforce Education Investment Surcharge

The Washington Department of Revenue has provided guidance on the workforce education investment surcharge applicable to select advanced computing businesses. Beginning January 1, 2026, the surcharge is imposed at a rate of 7.5% multiplied by the gross income subject to the service and other activities business and occupation tax. Through December 31, 2025, the surcharge is equal to the rate of 1.22% multiplied by the gross income subject to the service and other activities B&O tax.

Select advanced computing businesses are businesses that are members of an affiliated group with at least one member engaging in advanced computing, and the affiliated group has worldwide gross revenue exceeding $25 billion in the prior calendar year.

The parent company reports the surcharge for all affiliated businesses subject to the surcharge using the "Advanced Computing account." The account reports and pays the surcharge on a quarterly basis. Select Advanced Computing Businesses, Washington Department of Revenue, December 3, 2025

S&U Tax: Deduction Information on Excise Tax Returns Amended

Beginning January 1, 2026, the Incidental Investment Income/Investment Income for Qualified Person deduction, along with Interest on First Mortgage Loans and Direct Government Obligations deduction, replaces "Interest on Certain Investments, Loans, and/or Obligations" on Washington's excise tax return. *Deductions*, Washington Department of Revenue, December 4, 2025

S&U Tax: Guidance Provided on Documentation Requirements For Sales of Long-Term Capital Assets

The Washington Department of Revenue has reminded brokers and barter exchanges that beginning January 1, 2026, they must send copies of Internal Revenue Service form 1099-B to the department for sales or exchanges of long-term capital assets when (i) the long-term capital gain is allocated to Washington and (ii) the broker or barter exchange is the payor. The copies of form 1099-B must be electronically submitted no later than 90 days after filing with the IRS.

It is presumed that a sale of long-term capital assets is allocated to Washington if any of the following criteria for the payee exists:

- the last place of domicile known to the payor is in Washington;
- their address on file with the broker or barter exchange is in Washington;
- their address on form 1099-B is in Washington;
- their account with the broker or barter exchange was opened in Washington; or
- they make use of a broker or barter exchange's physical place of business in Washington.

Special Notice, Washington Department of Revenue, December 3, 2025

S&U Tax: Guidance Provided on Business and Occupation Tax Definitions

The Washington Department of Revenue has issued guidance on definitions for each business and occupation (B&O) tax classification. If a taxpayer conducts multiple activities, they may need to report under several B&O tax classifications. *Business and Occupation (B&O) Tax Classification Definitions*, Washington Department of Revenue, December 8, 2025

S&U Tax: Guidance on Tax Credits Updated

The Washington Department of Revenue has updated its guidance on excise tax credits to reflect that the business and occupation (B&O) international services credit is repealed effective January 1, 2026. *Credits*, Washington Department of Revenue, December 8, 2025

Utilities Tax: Guidance Provided on City Municipal Utility Tax

The Washington Department of Revenue has provided guidance on the city municipal utility tax. The tax is considered part of the utility provider’s gross income, whether it is included in the charge or separately stated on the utility bill. Therefore, it is subject to the state public utility tax. This is the case whether the municipal utility tax is collected by the city directly or through third-party utility providers. *City Municipal Utility Tax*, Washington Department of Revenue, December 9, 2025

Misc. Tax: Guidance Provided on Petroleum Products Tax

The Washington Department of Revenue has provided guidance on the petroleum products tax (PPT). The tax is imposed on the first possession of petroleum products in Washington and is based on wholesale value.”Possession” includes both actual and constructive possession. A licensed petroleum products exporter may qualify for a deduction if they remove petroleum products at the rack for direct delivery outside of Washington. If an invoice shows a line for PPT, it means that the seller has already paid PPT on the product. *Petroleum Products Tax*, Washington Department of Revenue, December 9, 2025

WEST VIRGINIA

Motor Fuel Tax: Variable and Combined Motor Excise Tax Rates Announced for 2026

West Virginia announced the variable and combined motor excise fuel tax rates for the 2026 calendar year. The excise tax consists of a flat rate and variable rate based on the average wholesale fuel prices for the calendar year. The notice lists the flat, variable, and combined tax rates that apply to conventional motor fuel, including gasoline and diesel, and alternative motor fuel, including natural gas and petroleum gas or propane. *Administrative Notice 2025-13*, West Virginia Tax Division, December 1, 2025

Multiple Taxes: 2026 Interest Rates Announced

West Virginia announced the 2026 interest rates on underpayments and overpayments for most taxes, including corporate and personal income taxes. The rate on tax underpayments is 11.50%. The rate on tax overpayments is 10.00%. The overpayment rate also applies to public contracts when there is a delay in final payment. *Administrative Notice 2025-14*, West Virginia Tax Division, December 1, 2025

WISCONSIN

Income Tax: Questions Remain Regarding Possible Arm’s-Length Relationship

The taxpayer appealed a Wisconsin Department of Revenue finding that funds transferred from the sole shareholders to a business were non-deductible returns of capital contributions. The taxpayer argued that the funds transferred were loans and that it properly deducted interest payments made to shareholders, who were subsequently taxed on the income earned from those payments. The parties filed cross-motions for summary judgment. The Commission reviewed the facts in the record as they relate to eight factors considered when determining if a bona fide creditor debtor relationship exists. The Commission found insufficient evidence to support either the taxpayer’s claim that the financial distributions at issue were conducted “using terms reflecting an arm’s-length relationship,” or to support the Department’s claim that the financial distributions were not so conducted. Both motions for summary judgment were denied. *Mohns, Inc. v. Wisconsin Department of Revenue*, Wisconsin Tax Appeals Commission, No. 24-I-008, November 26, 2025